

CONTROLLING IN CHINESE COMPANIES: A FIRST PEEK BEHIND THE BAMBOO CURTAIN

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Abstract

Curiously, neither investigators inside the PRC nor researchers outside it previously have undertaken large-scale, systematic, empirical study of Chinese companies' controlling behavior. The dearth of such studies is particularly surprising given the remarkable growth of business in China during the past thirty years, Chinese companies' emphasis on low costs, and the determination of the country's leadership to see it move up the value chain during its next phase of economic development – all areas where controlling should have a major role to play. This paper reports first responses from a portion of an ongoing, online survey about current controlling practices in a broad cross-section of Chinese industries. It thus offers unique initial insights into such areas as: personnel responsible for controlling and their qualifications; kinds of planning practiced and the effort involved; and the differing foci of various planning types.

Keywords: budgeting, Chinese enterprises, controlling, forecasting, management accounting, planning

Introduction

The rapid economic development China has achieved during the past 30 years in connection with its Reform and Opening Policy has attracted worldwide attention. Together with the low “China price” of its products and large domestic market, this policy has made that country a coveted partner for multinational enterprises as well as an important player in the processes of regionalization and globalization. Through these partnerships and processes, Chinese companies also have learned a lot about advanced management techniques. However, the management accounting concept of controlling nevertheless remains a fuzzy notion for

most Chinese academics and practitioners. The usual translation of the English word “controlling” into Chinese is 内部控制管理 or *neibukongzhi guan li*, literally “(internal) management control,” which reflects this fuzziness. In any event, controlling has been a relatively neglected area in Chinese business administration. There is scarcely any published research about it. China’s leading business schools and universities offer few controlling courses, and most traditional Chinese companies do not have positions for controllers. Instead, staff accountants, internal auditors, and chief financial officers (CFOs) carry out some, but not all, of a modern controller’s duties. For both managers and scholars then, both in- and outside the country, current Chinese controlling practice constitutes something of a secret contained in a mystery and wrapped in an enigma. This study sheds first light on that practice.

Although the foundation for internal management control is partly in place in some Chinese enterprises, most Mainland companies nevertheless face four problems in this connection. First, their managers have an imperfect understanding of controlling, which they usually think of in terms of internal accounting control, cost control, and/or risk management. Second, the existing internal management control environment is not good, because in many Chinese enterprises (both private and state-owned) equity ownership and top management’s power are highly concentrated. That means there are few checks on corporate governance. Chinese internal management control therefore often lacks effective implementation and supervision. Third, management information systems, especially in small and medium-size Chinese companies, are relatively poor. Reasons for this situation include the high cost of purchasing the requisite software, updating it, and training staff to use it. Last but not least, there are cultural impediments too, such as 关系 or *guan xi*, “personal obligations,” 面子 or *mianzi*, “saving face,” and the negative connotation of “control” in Chinese.

However, given China’s evident success in the global marketplace, one must admit the possibility that internal management practitioners might have their own, very good, “Chinese way” to perform controlling. Moreover, that Chinese way could be developing further and evolving over time in response to the opening of China’s economy.

Be that as it may, to meet the challenges posed by globalization, the Chinese government and companies generally are eager to learn about and adopt modern management practices. They want to remain price competitive and to improve quality, while moving up the value chain. At the same time, they would like to rely less on cheap labor and reduce externalization of some costs to the environment.

The global economic crisis also has served as a cautionary tale. Both top Chinese Communist Party officials and many enterprise managers now are aware that the exponential growth rates they have enjoyed for three decades are coming to an end. Hence, they are beginning to feel a growing need to integrate best management practices into their own everyday procedures.

In 2008, for example, China issued its Basic Standard for Enterprise Internal Control. This directive details comprehensive requirements a company's internal control framework must meet. The Chinese Ministry of Finance, the National Audit Office, and all three major industry regulators (the China Securities Regulatory Commission, the China Banking Regulatory Commission, and the China Insurance Regulatory Commission) have participated in implementing the directive. Its purpose is to increase the effectiveness of internal controls in exchange-traded Chinese companies, thus reducing risks for both the companies themselves and their stakeholders. The directive became effective July 1, 2009. Although initially only exchange-listed enterprises must comply, the government is encouraging adoption by medium- and large-size unlisted companies too ('China Issues Legislation for Internal Control Framework', www.China-briefing.com 11/2008).

Even though implementing government-enforced internal control principles admittedly is quite different from organically developing and growing a controlling culture, the directive marks an important starting point all the same. Change already is evident. The number of seminars, conferences, and training courses featuring internal control systems in China has mushroomed overnight (Wu/Schäffer, 2010).

This article begins by defining the authors' notion of controlling. It then proceeds to explain the study's research design and the methodology employed, identify the units of analysis, and give details about the data collection effort. In subsequent sections, the article reports information about Chinese personnel responsible for controlling and their qualifications; the kinds of planning they practice and the effort involved; and the differing foci of various planning types. (Additional topics covered by the survey, but not reported here due to space limitations are: coordination techniques, key performance indicators, and controlling tools in use; methods for evaluating capital budget spending proposals; and employment of such advanced instruments as scenario analysis, rolling forecasts and plans.) After noting the study's limitations, this paper offers some specific recommendations about how one might promote the development of controlling in Chinese companies, and suggests directions for future research.

Controlling

Controlling is an important managerial function. Operationally, it involves forecasting future events, developing plans, setting standards, analyzing actual performance, and taking remedial action where appropriate. In this way, it helps ensure that an organization achieves its targeted goals. For the purpose of this study, controlling thus means the effective and efficient utilization of resources to achieve planned goals, thereby enhancing management performance.

In practice, controlling is not a science, but a craft, best learned from an experienced senior controller (Rickards, 2007). Nevertheless, researchers apply scientific methods to study how controllers practice this craft. These studies' findings constitute what the literature terms "controlling theory." Controlling theory focuses on: the kinds of planning, instruments, and IT-support in use; measurement of their effectiveness and efficiency; reporting; and top management's satisfaction with the results.

Research undertaken in Germany, Austria, and Switzerland reveals that most enterprises regularly use a standard set of plans comprising strategic, midterm, and annual (budget) plans (Barkalov/Martin/Wagner, 2010). To prepare and execute these plans, controllers rely heavily on a standard toolkit consisting of cost center accounting, forecasting by extrapolation, budgeting, product profitability accounting, and project costing (Dressler, 2006; Rickards, 2008a and b). IT-support typically is not integrated across planning types and relies very heavily on historically-oriented models developed in-house on the basis of Excel spreadsheets and internally generated data (KPMG, 2007). Such standard controlling tends to be quite limited in its efficiency and effectiveness (Oehler, 2008). Moreover, the utility for decision-making of its reported results declines markedly as the accounting period progresses (Rickards/Ritsert, 2013). Numerous surveys reveal top management's frustration with the high cost and effort invested in planning and controlling relative to the rather limited benefits they produce. Yet time-series studies also find that over the last decade top management has increased steadily the manpower and time committed to standard planning and controlling activities (ICV, 2011)!

However, a small number of firms supplement their standard plans with future-oriented, rolling financial forecasts and operational plans. They employ a simplified planning process, plan in less detail but with greater focus on cost and revenue drivers, plan outputs as carefully as inputs, use relative goals in writing personal performance contracts, and do not link executive compensation directly to plan fulfillment. Besides the standard toolkit, these few, "best-in-class" firms conduct customer, profit center, and product lifecycle profitability analyses, engage in target costing, shareholder value assessment, and benchmarking as well as link their strategic, midterm, and annual (budget) plans through balanced scorecards. They rely on specialized software integrating all their various plans to evaluate scenario models employing data from multiple internal and external sources. Top managers of such firms say their planning is more effective in terms of usefulness for decision-making and more efficient in the consumption of manpower and time (Barkalov/Martin/Wagner, 2010; Rickards/Ritsert, 2013).

Research Design And Methodology

To learn about controlling in Chinese companies and to evaluate their current practices against Central European benchmarks, the authors prepared a Mandarin-language online survey and made it available to potential participants in a broad spectrum of Mainland enterprises. Proceeding in this fashion has a half dozen major advantages. First, doing so is quick and relatively inexpensive. Second, with limited personnel one nonetheless can cover a large population. Third, one can administer online surveys from remote locations. Fourth, one also can ask many questions about a given topic, thus giving considerable flexibility to the analysis. Fifth, assuming employment of proper survey methods and a sufficiently high response rate, the results obtained ought to be representative. Sixth, one can apply large-scale statistical techniques to the data gathered to determine validity, reliability, and significance even when analyzing multiple variables.

Of course, such surveys have disadvantages too. They depend on the subjects' motivation, honesty, memory, and ability to respond. Subjects, however, may not be aware of their reasons for a given action. Alternatively, they may have forgotten their reasons or they may not be motivated to give accurate answers.

In addition, structured surveys, particularly those instruments with closed-ended questions, may have low validity when researching affective variables. Furthermore, potential respondents selected for the survey in this study came from a population chosen for its convenience: former students; classmates; friends; and acquaintances. That means they may differ from the general population in some crucial respects, thus possibly biasing the results in some important (but unknown) ways. Lastly, survey-question-answer choices could lead to vague response sets because, at times, they may derive from a personal, abstract notion concerning "strength of choice." (Groves/ Fowler/ Couper/ Lepkowski/ Singer/ Tourangeau, 2009.)

To limit these weaknesses of online surveys, future analyses based on this study will depend primarily on statistical controls to isolate the influence of various explanatory variables (e.g., company size, private vs. public ownership, exposure to foreign partners, presence in a special economic zone, and so forth.) Moreover, the authors will conduct personal interviews with a subset of the respondents to corroborate the study's findings and to extend them further. The primary advantage of personal interviews is that they provide more detailed information than surveys. They also may afford a more relaxed atmosphere for collecting sensitive information, because some subjects tend to feel more comfortable in a face-to-face conversation with researchers. Data collected in this fashion may yield a higher percentage of returns and thus be more precise compared to other collection methods. Still, personal interviews are sometimes prone to bias, time-consuming, and costly. Consequently, the authors have made a strategic decision to supplement the online

survey with a limited number of personal interviews in a hybrid approach aimed at reinforcing the strengths and limiting the weaknesses of each technique.

Besides relying on more or less personal relationships to reduce the number of nonresponses, the authors emailed potential participants a short message in which they introduced themselves, identified their institutional affiliations, and explained the survey's purpose. Potential participants received assurances that their responses would be treated confidentially as well as both analyzed and reported anonymously. Accordingly, the authors have taken appropriate measures to ensure that external parties cannot identify participating respondents or their enterprises. As an additional incentive, potential participants also received assurance of exclusive first access to professional analysis reports describing current practices and offering useful guidance for improving their controlling and management accounting functions.

Units Of Analysis And Data Collection

The target populations consist of (1) the internal management control departments of Chinese enterprises for the online survey, and (2) company CFOs for the interviews. The survey populations are convenience samples. The previously mentioned "friends" panel is the first of three panels. The second and third consist of client firms of two cooperating Chinese consulting companies located in Beijing and Shanghai, respectively. Eventually, it is our intention to merge responses from all three panels and to compare their descriptive data with data for the overall Chinese economy in order to determine their representativeness. Because currently only responses from the first panel are in hand, the authors limit their analysis here to benchmark comparisons with results from recent studies in German-speaking countries, where available.

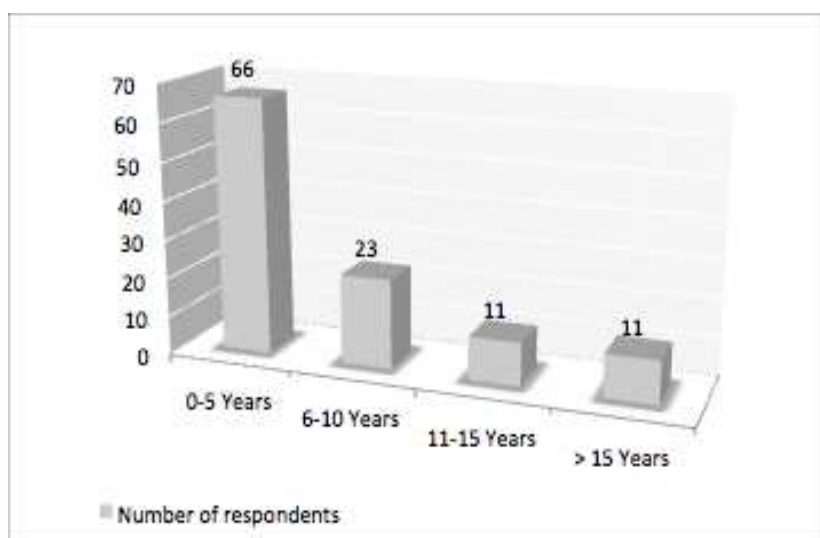
Convenience sampling is a non-random method based largely or solely on the researcher's discretion or judgment (Nichols, 1995). The survey of the friends' panel went online in mid-March 2013. The authors e-mailed a reminder letter two weeks later and ended data collection in mid-April 2013. 117 enterprises of the 306 companies included in the panel responded. The reference study was online for six months in 2010 and 2011. It drew 107 responses from a client base of over 1,300 firms. Both relative to the response rate in that research (8.2 %) and to rates associated with most survey research, the 38.2 % participation rate attained here appears to be quite respectable. Furthermore, several respondents spontaneously wrote the investigators expressing thanks for helping them to grasp the interconnections between various aspects of controlling more readily.

Demographic Characteristics

The first section of the online survey solicited some demographic information about the respondents and the enterprises, in which they work. 55 persons gave their gender as male, while sixty identified themselves as female. They were as young as 20 and as old as 52, with a mean age of 32.8 years.

Perhaps because they were wary of providing information that might reveal their identity further, only 47 of the 117 respondents answered the query “What is your position in your company?” With 17 mentions or 36.2 %, by far the most frequent answer given was “licensed accountant.” Asked how many years they had held their current position, 109 participants responded. Answers ranged from as briefly as two months to as long as 30 years, with the average being a little under six years. Figure 1 depicts the distribution of time in position by five-year cohorts.

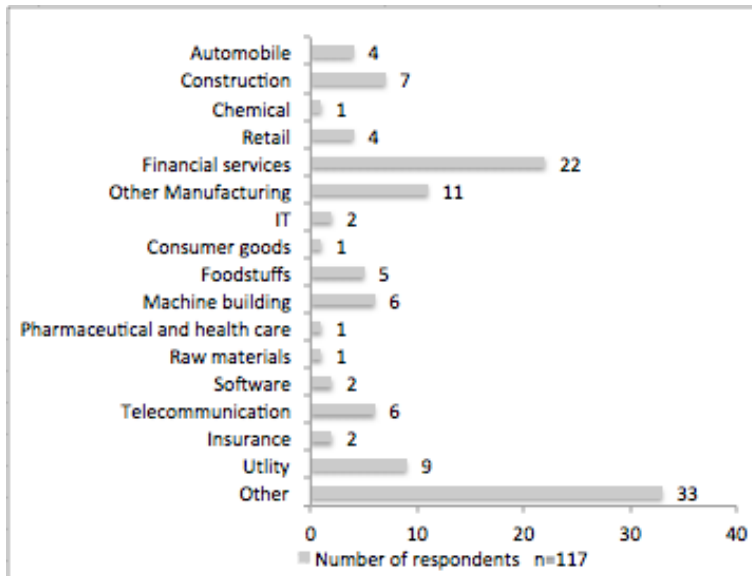
Figure 1



82 or 70.1 % of respondents said they had received specialized, on-the-job training for their current position. Of these persons, more than half (49) received their training on a voluntary basis from an external provider, while an almost equal number (45) had taken part in a mandatory, full-time trainee program within their company. Another 36 individuals also had participated in a company trainee program, but on a voluntary basis. With a total of 130 answers, some sizable portion of the 82 respondents must have had training from two or all three of the sources.

Figure 2 shows the distribution of participating companies by industry. 88 of these mentions fit into one of the 16 specific category choices. The branch most frequently mentioned (24 times or 27.2 %) was financial services, which includes banking, accounting, auditing, brokerages, investment advice and so forth. With 12, nine, seven, and six mentions, respectively, other manufacturing, utilities, construction, and machine-building also were relatively common answers.

Figure 2



As illustrated in Figure 3, most participating companies (68) are small- and medium-size enterprises (SMEs), with fewer than 250 employees. Nevertheless, the study population includes ten companies with more than 50,000 workers too. Figure 4 presents the firms again, this time arranged according to their sales revenue in 2012. As one can see clearly, the distribution here is much more even, with 34 companies reporting less than 250 mio. ¥ (RMB) in sales, while 13 enterprises had sales revenue in excess of 50 bil. ¥.

Figure 3

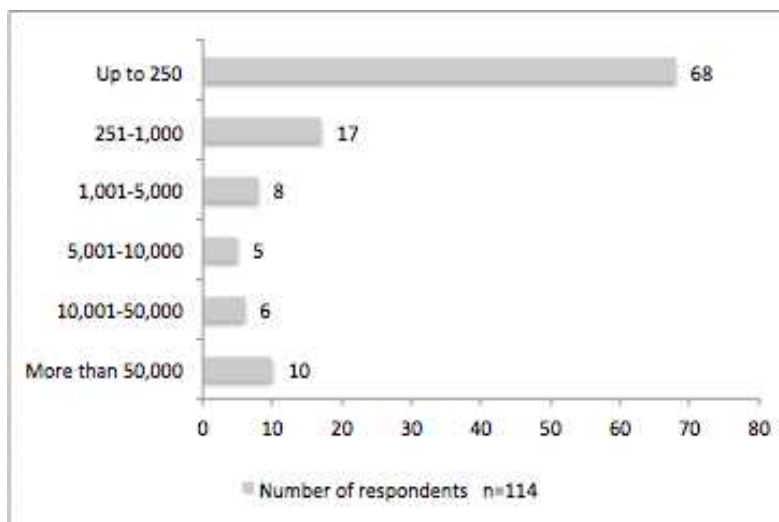
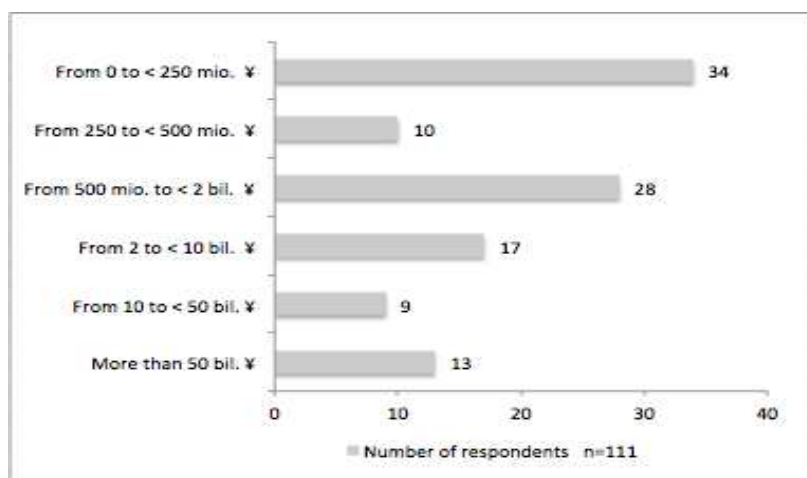
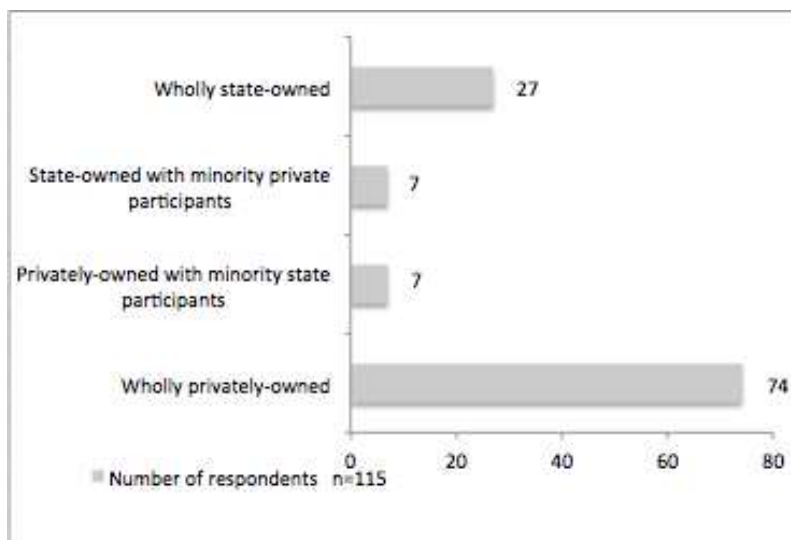


Figure 4



Firms participating in the study also display an interesting mix of ownership forms. Figure 5 shows wholly private ownership to be the dominant form (74 companies), followed by wholly state-owned enterprises (27), and with seven apiece state-owned firms with minority private participants and privately-owned firms with minority participation by the state. Furthermore, 16 of the enterprises were Chinese joint ventures with a foreign partner.

Figure 5

In keeping with the firms' form of ownership, 104 employ Chinese accounting standards, while 16 use International Accounting Standards (IAS) and International Financial Reporting Standards (IFRS). In addition, two enterprises report on a USGAAP (United States' Generally Accepted Accounting Principles) basis and one on the basis of the German Handelsgesetzbuch (HGB). Because there were 124 responses by 117 firms, some of them must be doing their accounting and reporting according to two different sets of standards.

Asked to compare their enterprise's success to that of their strongest competitor, 24 % felt they were markedly less successful, 21 % less successful, and 26 % just as successful. In contrast, 17 % felt more successful and 12 % markedly more successful than their chief rival.

To summarize, then, a respondent to the online survey most likely is a female, in her early 30s, who is a licensed accountant and has held her current position for about six years. She has participated in training for internal management control on a voluntary basis with an external provider, but also has received some internal training either in a mandatory or a voluntary trainee program. Her company is a wholly privately-owned Chinese SME that employs Chinese accounting standards and is just about as successful as its strongest competitor.

The principal benchmark study used for comparison herereports no demographic information about respondents and relatively little about the Austrian, German, and Swiss enterprises it includes (Barkalov/Martin/Wagner, 2010). However, a pie diagram classifying its participating firms according to ten categories shows 18 % in services, 15 % in the automotive industry, and 13 % each in utilities and machine

building. In comparison, the percentages for the four industries found most frequently in the present study are 27 % in financial services, 14 % in other manufacturing, 10 % in utilities, and 8 % in construction. The two study populations therefore differ somewhat in their composition, with the automotive industry and machine building being relatively more important in Central Europe versus financial services and construction in China.

Types Of Plans Made, Time And Effort Required

Survey respondents answered questions about the types of planning in which they engage as well as the amount of time and effort involved. Most frequently mentioned were annual planning/annual budgeting (89 %) and forecasting of yearend-likely financial values (79 %), followed by midtermplanning (68 %), strategic planning (61 %), and scenario planning (54 %). Comparative data on the first four types of planning are available for Central European companies: annual planning/annual budgeting (87 %); forecasting of yearend-likely financial values (60 %); midterm planning (58 %); and strategic planning (56 %). Although Chinese enterprises are more likely to forecast their yearend financial values, the two patterns of planning usage nevertheless are quite similar.

These results are remarkable in two ways. First, both in China and in Central Europe, sizable percentages of the surveyed firms engage neither in annual planning/annual budgeting nor in forecasting of yearend-likely financial values. Instead, in Central Europe, those companies rely on rolling financial forecasts and budgets. Because 87 % and 85 % of Chinese enterprises say they also use rolling financial and operational forecasts, respectively, substitution of rolling instruments for more standard kinds of planning may be occurring in China too. In any event, many of them apparently have adopted more modern tools, which they employ without abandoning more traditional ones. It could be that Chinese management engages in such resource-intensive behavior because it does not yet feel comfortable with such relatively new instruments. A more plausible explanation for this two-track approach, though, is the companies' continued reliance on annual results in evaluating and rewarding their managers.

The second noteworthy aspect of these findings is that a large portion of both Central European and Chinese firms do not practice either midterm or strategic planning. Moreover, in the Chinese case at least, little more than half the enterprises undertake scenario analyses. Whatever the explanation for this phenomenon in Central Europe, in China the lack of such plans and analyses probably stems from the small planning staffs in many SMEs and the time pressure on management to obtain and fill job orders. In other words, operational considerations strongly constrain the time and resources available for these activities. Of course, this explanation, together with the previous one for using traditional and more modern planning tools in parallel, remains speculative unless and

until statistical tests and interviews with managers yield corroborating evidence.

Figure 6 profiles the time companies devote to each of the planning types investigated. For the most frequently used form ($n = 100$), annual planning/annual budget, 27 companies need between 15 and 30 man-days. The range, though, is quite wide, with 29 enterprises requiring six man-days or less, while another 11 firms take more than 90 man-days for this task.

Figure 6



Forecasting yearend financial values, in turn, generally goes more quickly. 64 of the 86 reporting companies complete their forecast in 30 man-days or less. This result makes sense because the forecast's purpose is just to predict the future state of the enterprise's business development as accurately as possible (Leyk, 2006; Bartl/Schneider, 2011). A budget, on the other hand, usually has linkage to a binding service contract between management levels and represents an authorized plan of action for reaching a certain goal condition. It therefore necessarily involves more planning input (Rickards/Ritsert, 2012).

The Chinese enterprises engaging in midterm planning also seem to accomplish it relatively quickly, with half of them taking a man-month or less. The same is true for the least frequently undertaken type of planning, scenario analysis. That is unsurprising because one usually analyzes various scenarios in connection with short-term operational decisions requiring prompt action. For strategic planning, on the other hand, over half the firms use more than two man-months.

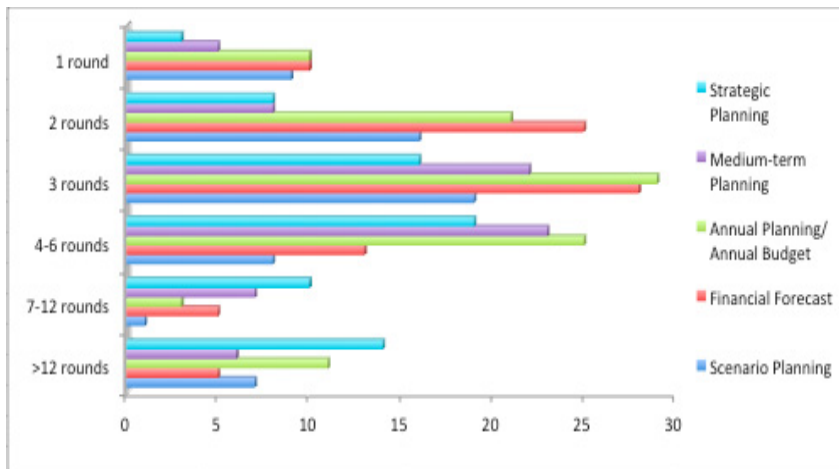
Compared with their Central European counterparts, again a broadly similar pattern emerges. There, too, financial forecasting requires the least time, with 86 % of the companies needing two weeks or less time. However, it goes much faster in Austria, Germany, and Switzerland – on average just 11 man-days. In contrast, annual planning/annual

budgeting takes Central European firms about the same time, an average of 28 man-days, with 24 % of the participating companies requiring more the 45 man-days for the job (versus 22 % in China). 65 % and 70 % of the enterprises in German-speaking countries complete their midterm and strategic planning, respectively, in less than two weeks. While 51 % of the Chinese firms surveyed match this figure for midterm planning, only 20 % finish their strategic planning so quickly.

At least in the Central European case, the amount of time consumed in planning processes appears to be closely related to the complexity of the enterprise's business model. Nevertheless, there are exceptions, where all planning types proceed very quickly indeed. These exceptional cases are firms with moderate business model complexity that use rolling forecasts and budgets having reduced levels of detail in their planning. They also have good IT-support linking all their various plans. Budgeting on a rolling basis, reduction in detail, improved IT-support, and better linkages thus likely would speed up Central European companies' planning processes considerably. Given that Chinese firms' planning is as slow or even slower than in Central Europe, they well could have even greater weaknesses in these respects and therefore could benefit as much or more by taking the appropriate remedial actions.

One more variable tends to retard planning processes: the number of meetings to coordinate decisions taken at various managerial levels. Figure 7 portrays respondents' answers to questions about the number of coordinating rounds required for the five types of planning in their enterprise. Financial forecasting and scenario

Figure 7



analyses need the least coordination, with 73 % of respondents saying three or fewer meetings are necessary. Although annual planning/annual budgeting may require only one or two coordinating rounds (31%), the bulk of Chinese firms need between three and six (55 %) sessions.

The same is true for midterm planning, where 77 % of the enterprises have between three and six meetings to coordinate estimates. Strategic planning requires the most coordination, with 50 % of the companies needing from three to six sessions and another 34 % holding seven or more meetings for that purpose.

Relative to their Central European peers, Chinese planning practices involve more rounds of adjustments. Three or fewer meetings are necessary for forecasting in 83 % of the former firms, 48 % for annual planning/annual budgeting, 63 % for midterm planning, 71 % for strategic planning.

Asked to choose the set of characteristics that best describes their enterprise's planning process, 48 % of respondents said it was based on historical values and focused on the previous year's bottlenecks. 25 % reported their production and supply chain planning having linkage to their sales planning, with planning for support functions reflecting overall growth of the business. 10 % prepared rolling forecasts focused on their most profitable products as the foundation for planning demand for individual products with linkage to sales, production, supply chain, and support planning. 17 % focus their planning on the most important business drivers, while using simulations of different plant utilization and manufacturing scenarios to develop their production and supply chain plans.

If one views these four groups as using standard/traditional, advanced, leading, and best-in-class planning methods, one then can compare them directly to their counterparts in Central Europe. There, about 70 % of the participating companies reported using standard/traditional methods, 30 % an advanced process, and 5 % leading or best-in-class procedures. In this respect at least, the Chinese controllers in the study population appear to be on a par with or more progressive than their Western colleagues. However, financial service companies are especially well-represented in that population. Hence, there may be greater familiarity with and willingness to use leading and best practices than one would find in a more representative population of Chinese firms.

Differing Foci Of Chinese Planning Types

Central European controllers emphasize differing areas in making their various types of plans. Consequently, whether Chinese controllers do likewise, and, if so, which areas are most important to them comprise interesting questions in this context. Figure 8 summarizes the average time Chinese controllers say they spend planning sales revenue, costs, cashflow, liquidity, working capital, and other aspects for annual planning/annual budgeting, financial forecasting, and scenario planning.

Figure 8

	Sales revenue	Cost	Cashflow	Liquidity	Working Capital	Others
Annual planning/Annual budget	31%	23%	13%	11%	12%	14%
Financial forecast of year end likely values in Statement of Financial Position, Statement of Comprehensive Income and Cash Flow Statement	28%	22%	13%	13%	14%	14%
Scenario planning	27%	21%	14%	12%	13%	15%

Summing the means across these areas for each plan yields more than 100 % in each case, suggesting that the numbers reported are just indicative of real values rather than precise estimates. For all three planning types, though, controllers spend the most time on sales revenues and costs. The relative time spent on them is greatest for the annual plan/annual budget, while that for cash flow, liquidity, working capital, and other aspects is greater in financial forecasting and scenario analyses.

Even greater imprecision is apparent in the data for the time Central European controllers dedicate to the same aspects of their planning. Nevertheless, the behavioral pattern is similar. Sales revenue and costs are the dominant foci, especially in annual planning/annual budgeting. Though absolutely less important, the other planning areas play relatively larger roles in financial forecasting and scenario analyses.

During the world financial crisis of 2008-2010, many companies previously fixated on sales revenue and costs discovered the increasing importance of cash flow. Cash flow can help offset some of the distress that arises when an abrupt collapse of demand leads to diminished utilization of capacity and profitability comes under strong downward pressure. In contrast, the alternative, to adjust capacity accordingly, is not very attractive, especially if one expects demand to recover in the midterm. In order to remain profitable and to meet existing financial obligations, one prefers to emphasize generating and freeing up cash instead.

Neither the Chinese nor the Central European survey responses reflect the growing importance of such topics. Nevertheless, one ought to be paying greater attention to them in order to meet current and future challenges. It is precisely the increasing dynamism of business crises with regard to their intensity and the decreasing interval between them that necessitates linkages between the assumptions in strategic and midterm planning with concrete cash flow goals in annual planning and budgeting (e.g., decreasing the number of days sales outstanding).

Shortcomings

The current research has three major shortcomings. First, the study population is not a representative sample of the universe of Chinese businesses. Accordingly, the results presented here describe only the convenience population investigated. Second, interview data to corroborate and extend the study findings are not yet available. Third, due to the tight time constraint to prepare and submit this conference paper, the data have not undergone in-depth statistical analysis. The authors intend to redress all three of these shortcomings in the near future.

Policy And Research Recommendations

Obviously, many Chinese managers do not yet appreciate fully the importance to their enterprise of a well-trained, smoothly functioning controlling staff. As long as the Chinese economy continues its swift expansion and they can externalize the economic costs of inefficiency to their workforce and the environment, there will be little incentive for them to change their attitude. In the meantime, however, more future-oriented firms could gain a long-term, competitive advantage by recruiting, training (in-house or externally), and supporting qualified controlling personnel. That is precisely what Anglo-Saxon companies' subsidiaries and a few local first-movers (e.g., the *Controller Akademie*) did in Germany and Austria in the 1950s and early 1960s (Rickards, 2007).

Interested businesses and the government could encourage and reinforce development of controlling in China by establishing chairs for teaching and research in controlling in this area at some of the country's leading universities. In that fashion, they could lay the foundation for more rapid expansion of the country's controlling capabilities at a later date.

Their first peek behind the bamboo curtain at Chinese controlling has piqued the authors' (and hopefully the reader's) curiosity. They therefore want to examine it more thoroughly. To do so, they next will focus their research on how complexity affects decision making in the planning process, the use of business drivers in forecasting and budgeting, and IT-support for leading and best-in-class controlling.

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